



Longer Working Lives and Flexible Retirement Pathways

Longer life expectancy, uneven savings levels, and continued labor force participation among older workers are reshaping how employers think about retirement. More employees now view retirement as a transition rather than a single date. Many employers are responding with phased retirement options, delayed-retirement support, and more flexible savings and communication strategies. For financial advisors, this trend has major implications for both defined contribution and defined benefit plans because retirement timing now affects contribution behavior, benefit use, workforce planning, and plan risk management at the same time.

The most immediate implication is that the traditional accumulation-only view of retirement planning is no longer sufficient. Late-career workers face a convergence of longevity risk, market volatility, healthcare costs, and the need to turn savings into sustainable income. As a result, advisors increasingly need to help sponsors think beyond enrollment and savings rates toward retirement-readiness milestones, decumulation education, and phased-transition support.

Regulatory changes add both opportunity and complexity. For 2026, the elective deferral limit is \$24,500, the standard catch-up limit is \$8,000, and the special catch-up amount for ages 60 through 63 remains \$11,250. The Roth catch-up wage threshold used to determine whether certain catch-up contributions must be designated as Roth contributions increased to \$150,000. For participants with strong late-career earnings, these rules create meaningful planning opportunities. They also require

better communication because many older workers may not understand how tax treatment, compensation levels, and contribution timing interact.

In practice, flexible retirement pathways work best when employers connect plan mechanics to actual workforce behavior. Some older employees want to keep working at a lower intensity. Others want to shift into advisory, part-time, or mentoring roles. Still others need a few additional years of earnings and benefits eligibility before they can retire comfortably. When employers lack a formal transition framework, these employees may remain in roles that no longer fit their goals or leave earlier than planned because they cannot see a workable bridge. Advisors can help sponsors design communication and benefits coordination around likely transition points rather than assuming retirement happens in one administrative event.

Defined contribution plans are central to this effort because they are often the employee's main retirement asset. Yet the late-career challenge is no longer only about saving more. It is also about sequence-of-returns risk, distribution timing, income strategy, and coordination with healthcare choices. A participant who plans to work until age 68 may invest and budget differently than one who hopes to phase out at 63. A participant who expects consulting income in early retirement may take a different withdrawal approach than one who expects immediate reliance on portfolio assets. Advisors can help plan sponsors provide guidance that recognizes these distinctions without overcomplicating the plan.

Defined benefit plans face a different but related set of issues. The annual benefit limit under section 415(b)(1)(A) increased to \$290,000 for 2026, up from \$280,000. That change reinforces the need to monitor benefit calculations and compensation-linked limits closely. At the sponsor level, DB plans remain sensitive to market conditions, interest rate trajectories, and pension risk transfer pricing. For employers evaluating pension strategy, later retirements can affect cash-flow assumptions, liability profiles, and workforce planning in ways that should be modeled alongside broader human-capital considerations.

This is where the advisor perspective becomes especially valuable. Sponsors may view retirement plans through a finance lens or an HR lens, but flexible retirement pathways require both. An older workforce can preserve institutional knowledge and reduce immediate hiring pressure, but it may also increase healthcare claims, disability exposure, and the need for age-appropriate communication. A phased-retirement design may support retention and smoother succession, but it also raises questions about eligibility, continued accruals, employer matching policies, and how group life or disability coverage should operate for reduced-schedule employees. These are not isolated administrative questions; they shape whether the program is usable.

Group benefits need special attention. Late-career employees often move through a period in which retirement planning, healthcare planning, and insurance planning become inseparable. Coverage definitions that are clear for full-time mid-career workers may become confusing when an employee reduces hours, delays retirement, or shifts into a consulting arrangement. Advisors should help sponsors review whether eligibility rules, disability definitions, life insurance maximums, and participant communications align with actual retirement patterns. The goal is to prevent a worker from assuming protections continue unchanged through a phased transition when a reduction in hours may alter eligibility or benefit amounts.

Communications strategy is just as important as plan design. Many plan sponsors still rely on generic retirement education that speaks broadly about

savings discipline and diversification. That content is useful, but incomplete for employees who are evaluating when to retire, whether to keep working part time, how to sequence Social Security and plan distributions, or how to cover medical costs before and after Medicare eligibility. Advisors can help sponsors deploy targeted outreach several years before typical retirement age rather than waiting until separation paperwork is imminent.

Financial advisors can also encourage sponsors to define retirement readiness more broadly. A worker is not fully retirement-ready simply because the account balance appears adequate on paper. Readiness also depends on whether the worker understands income options, healthcare transitions, tax implications, and the practical impact of working longer or reducing hours gradually. This is especially true for executives and highly compensated employees, who may face Roth catch-up rules, compensation thresholds, and more complex personal planning decisions as they move toward retirement.

For employers, flexible retirement pathways can strengthen succession planning as much as they strengthen employee outcomes. Late-career employees often hold critical knowledge, client relationships, or leadership responsibilities that are hard to replace abruptly. When employers create structured transition options and align them with retirement, health, and insurance communications, they reduce disruption and improve the odds of orderly handoffs. For participants, the benefit is equally important: retirement feels less like a cliff and more like a managed transition supported by coherent financial guidance.

From the advisor's standpoint, the lesson is straightforward. Longer working lives should not be treated as an anomaly or a temporary labor-market effect. They are a defining feature of retirement planning in this period, and they call for a more integrated conversation about savings, income, insurance, health coverage, and workforce design. Employers that adapt early will be better positioned to support older workers while managing plan costs and maintaining fiduciary discipline.

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